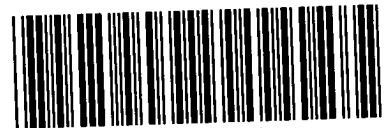


Virgin Clubs Limited

Annual report and financial statements

For the year ended 31 March 2014

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Strategic report

For the year ended 31 March 2014

Principal operations

The company operates a nightclub, restaurant and an events venue from its premises. These premises comprise of three themed gardens covering 1.5 acres, a private members club and an events space and on a separate floor an award winning restaurant, all located 100ft above Kensington High Street.

Principal risks and uncertainties

The effect of the economic climate on both consumer and corporate spending is still considered to be an uncertainty for the Company's performance. The trend for short lead time events bookings has also continued across the year making forecasting difficulty and adding further uncertainty.

The impact on the hospitality industry following a terrorist attack in London is also still considered to be a risk. Although London has not seen a terrorist attack since 2007 the UK is graded as being at a substantial threat level.

The Lease for the property is due to expire within the next 3 years, as with any commercial lease there is a risk it may not be renewed, however it is the company's intention to renew the lease.

Company performance

Total revenue for the year shows growth of £437,330 or 3.7%, which is considered a good result and compares favourably to the budget.

The Company has net liabilities and as detailed in note 1 of the financial statements, a parent undertaking has formally indicated that it will provide sufficient funding to the Company.

Key Performance Indicators

The following table shows the revenue growth, year on year for each area of the business:

	Year Ended 31 March 2014	Year Ended 31 March 2013
Club	(0.1)%	11%
Events	2.3%	5%
Babylon	9.8%	9%
Total Revenue	3.7%	9%

Club revenue for the year is just 0.1% below the prior years. The prior year's growth of 11% was driven through a combination of both increased covers and spend, maintaining this level is still considered a good steady result. The club has been focused on maintaining the average spend and maximising the number of covers, this has proved very successful putting the club in a strong position for the year ahead.

Events revenue for the year shows growth of 2.3% on the prior year. The prior year's growth was 5% and for both years there has been no set pattern to compare to previous years. There has been more corporate bookings in the year and the summer months proved particularly successful.

Revenue for the restaurant, Babylon, grew by 9.8% on the prior year, this is a similar level to the prior year's growth of 9% and is an excellent result given the competition. This was achieved by delivering a consistent food product and fantastic service.

The gross profit for the year is 45% which is in line with the prior year. Costs of sales were well controlled. Overhead costs were higher than previous years due to upgrading the IT infrastructure and the impact of higher property costs. As such EBITDA for the current year is £846,892 which compares to £982,465 in prior year, the fall due to the increase in overhead costs.

Strategic report (continued)
For the year ended 31 March 2014

The company is in a strong position as it enters the next financial year and will continue to focus on quality in all areas to deliver steady growth across the business.

By order of the board 24 September 2014 and signed on its behalf.



.....
S D Mitchell
Director

The Battleship Building
179 Harrow Road
London
W2 6NB

Directors' report

The Directors present their report and the financial statements for the year ended 31 March 2014.

Principal activity

The Company's principal activities are the operation of a nightclub, function venue and restaurant.

Going concern

The Company has net liabilities. However as detailed in note 1 to the financial statements a parent undertaking, Virgin Holdings Limited, has formally indicated that it is its present intention to provide sufficient funding to the Company to enable it to meet its liabilities as they fall due, for at least the next 12 months. The directors have no reason to believe that the parent company will not be in a position to support.

Furthermore, no significant changes are expected in relation to the Company's income streams or cost base at this present time. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results

The loss for the year, after taxation, amounted to £305,934 (2013 - loss £52,948).

Directors

The directors who served during the year were:

J D R Brown
S D Mitchell
(Appointed 04/07/13)
E J Broadfoot
(Resigned 26/07/13)
C R Stent
(Resigned 21/06/13)

Dividends

The directors do not recommend the payment of a dividend (2013: £nil).

Provision of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

Directors' report

Auditors

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 24 September 2014 and signed on its behalf.



.....
S D Mitchell
Director

The Battleship Building
179 Harrow Road
London
W2 6NB

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements
For the year ended 31 March 2014

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Virgin Clubs Limited

We have audited the financial statements of Virgin Clubs Limited for the year ended 31 March 2014, set out on pages 8 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Virgin Clubs Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Sarah Styant (Senior Statutory Auditor)
for and on behalf of
KPMG LLP
Chartered Accountants
Statutory Auditor
15 Canada Square
London
E14 5GL

25 September 2014

Profit and loss account
For the year ended 31 March 2014

	<i>Note</i>	2014 £	2013 £
Turnover	1	12,282,258	11,844,928
Cost of sales		(6,755,415)	(6,457,866)
Gross profit		<u>5,526,843</u>	<u>5,387,062</u>
Administrative expenses		(5,451,311)	(5,140,988)
Other operating income		<u>75,320</u>	<u>81,935</u>
Operating profit	2	150,852	328,009
Interest receivable and similar income	6	1,223	644
Interest payable and similar charges	7	(259,726)	(141,165)
(Loss)/profit on ordinary activities before taxation		<u>(107,651)</u>	<u>187,488</u>
Tax on (loss)/profit on ordinary activities	8	(198,283)	(240,436)
Loss for the financial period	15	<u><u>(305,934)</u></u>	<u><u>(52,948)</u></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account.


The notes on pages 10 to 17 form part of these financial statements.

There is no difference between the reported result and the result based on historical cost for either current or prior periods.

Balance sheet
As at 31 March 2014

	<i>Note</i>	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	9		1,741,292		2,048,858
Investments	10		-		-
			<u>1,741,292</u>		<u>2,048,858</u>
Current assets					
Stocks	11	180,121		195,979	
Debtors	12	964,613		922,547	
Cash at bank and in hand		751,221		509,644	
		<u>1,895,955</u>		<u>1,628,170</u>	
Creditors: amounts falling due within one year	13	(8,269,566)		(8,003,413)	
Net current liabilities			<u>(6,373,611)</u>		<u>(6,375,243)</u>
Net liabilities			<u>(4,632,319)</u>		<u>(4,326,385)</u>
Capital and reserves					
Called up share capital	14		100		100
Profit and loss account	15		(4,632,419)		(4,326,485)
Shareholders' deficit	16		<u>(4,632,319)</u>		<u>(4,326,385)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 September 2014.


.....
S D Mitchell
Director

The notes on pages 10 to 17 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The financial statements have been prepared on a going concern basis in view of the fact that Virgin Holdings Limited, an intermediary parent undertaking, has formally indicated that it is its present intention to provide sufficient funding to the Company, to enable it to meet its liabilities as they fall due, for at least the next twelve months from the date of approval of these financial statements.

The directors have no reason to believe that Virgin Holdings Limited will not be in a position to provide the support referred to above and, accordingly, they have prepared the financial statements on the going concern basis.

The Company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (Revised) the Company is exempt from the requirements to prepare a cashflow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Virgin Wings Limited, the Company has taken advantage of the exemption obtained in Financial Reporting Standard 8 and has therefore decided not to disclose transactions or balances with wholly owned subsidiaries which form part of the group.

1.2 Turnover

Turnover, which excludes Value Added Tax but includes service charges, represents the sales value of goods and services in the operation of nightclubs and function venues supplied in the United Kingdom. Revenue is recognised at the time the sale takes place. Deposits received for future events are held as deferred income on the balance sheet.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	25%
Fixtures & fittings	-	25%

Short leasehold land and buildings are depreciated over the life of the lease.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value.

1.7 Leased assets

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1.8 Pension costs

The Company is a member of a defined contribution pension scheme operated by Virgin Management Limited, a related company. The assets of the scheme are held separately in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2. Operating profit

The operating profit is stated after charging/(crediting):

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the company	696,040	654,456
Operating lease rentals:		
- plant and machinery	24,618	16,886
- other operating leases	741,544	731,282
Net rents receivable	(75,320)	(81,935)

During the year, no Director received any emoluments (2013 - £nil).

Notes to the financial statements

3. Auditors' remuneration

	2014 £	2013 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	20,101	18,627

Taxation fees for the current and prior years are borne by another group company.

4. Staff costs

Staff costs were as follows:

	2014 £	2013 £
Wages and salaries	3,242,850	3,016,008
Social security costs	278,071	246,524
Other pension costs	6,892	4,608
	<u>3,527,813</u>	<u>3,267,140</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2014 No.	2013 No.
Selling and distribution	145	141
Administration	30	29
	<u>175</u>	<u>170</u>

5. Directors' remuneration

The directors did not receive any remuneration during the year for services to the Company (2013: £nil).

6. Interest receivable

	2014 £	2013 £
Other interest receivable	1,223	644

7. Interest payable

	2014 £	2013 £
On loans from group undertakings	259,726	141,165

Notes to the financial statements

8. Taxation

	2014 £	2013 £
Analysis of tax charge in the year		
UK corporation tax charge on (loss)/profit for the year	198,043	237,378
Adjustments in respect of prior periods	240	3,058
Tax on (loss)/profit on ordinary activities	198,283	240,436

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 23% (2013 - 24%). The differences are explained below:

	2014 £	2013 £
(Loss)/profit on ordinary activities before tax	(107,651)	187,488
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 - 24%)	(24,759)	44,997
Effects of:		
Expenses not deductible for tax purposes	93,896	67,189
Depreciation for year in excess of capital allowances	128,906	125,192
Adjustments in respect of prior periods	240	3,058
Current tax charge for the year	198,283	240,436

Factors that may affect future tax charges

Details of the Company's total recognised and unrecognised deferred tax asset at the year end (and prior year end) are shown in the table below.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

	2014 Recognised £	2014 Unrecognised £	2013 Recognised £	2013 Unrecognised £
Excess of capital allowances over depreciation	-	(1,097,840)	-	(1,133,610)
	-	(1,097,840)	-	(1,133,610)

Notes to the financial statements

The UK Government has announced a phased reduction in the main rate of corporation tax in the UK. On 1 April 2013, the rate was reduced from 24% to 23%. Two further annual reductions are expected to follow in subsequent years, reducing the corporation tax rate to 20% from 1 April 2015. The impact of the future rate reductions will be accounted for in future periods, to the extent that they are enacted at the balance sheet date; however, it is estimated that this will not have a material effect on the company.

9. Tangible fixed assets

	<i>S/Term Leasehold Property</i> £	<i>Plant & machinery</i> £	<i>Fixtures & fittings</i> £	<i>Total</i> £
Cost				
At 1 April 2013	4,376,036	1,209,844	2,589,177	8,175,057
Additions	7,995	49,753	330,726	388,474
At 31 March 2014	4,384,031	1,259,597	2,919,903	8,563,531
Depreciation				
At 1 April 2013	3,132,443	978,778	2,014,978	6,126,199
Charge for the year	291,746	100,759	303,535	696,040
At 31 March 2014	3,424,189	1,079,537	2,318,513	6,822,239
Net book value				
At 31 March 2014	959,842	180,060	601,390	1,741,292
At 31 March 2013	1,243,593	231,066	574,199	2,048,858

10. Fixed asset investments

	<i>Investments in subsidiary companies</i> £
Cost or valuation	
At 1 April 2013 and 31 March 2014	100
Impairment	
At 1 April 2013 and 31 March 2014	100
Net book value	
At 31 March 2013	-
At 31 March 2014	-

Notes to the financial statements

Subsidiary Undertakings

The principal company in which the Company's interest at the year-end is more than 20% is as follows:

<i>Name</i>	<i>Country of Incorporation</i>	<i>Principal Activity</i>	<i>Description of Share</i>	<i>% Holding</i>
Wordglass Limited	England & Wales	Non-trading	Ordinary £1 shares	100

11. Stocks

	2014	2013
	£	£
Food, wine and spirits	146,016	163,411
Service stock	34,105	32,568
	<u>180,121</u>	<u>195,979</u>

12. Debtors

	2014	2013
	£	£
Trade debtors	243,994	193,649
Amounts owed by group undertakings	24,132	8,046
Other debtors	181,729	202,351
Prepayments and accrued income	514,758	518,501
	<u>964,613</u>	<u>922,547</u>

13. Creditors: Amounts falling due within one year

	2014	2013
	£	£
Trade creditors	483,823	411,802
Amounts owed to group undertakings	5,438,345	5,732,177
Corporation tax	882,439	684,156
Other creditors including tax and social security	395,163	296,139
Accruals and deferred income	1,069,796	879,139
	<u>8,269,566</u>	<u>8,003,413</u>

14. Share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Notes to the financial statements

15. Reserves

	<i>Profit and loss account</i> £
At 25 March 2013	(4,326,485)
Loss for the year	(305,934)
At 31 March 2014	<u>(4,632,419)</u>

16. Reconciliation of movement in shareholders' deficit

	2014 £	2013 £
Opening shareholders' deficit	(4,326,385)	(4,273,437)
Loss for the financial year	(305,934)	(52,948)
Closing shareholders' deficit	<u>(4,632,319)</u>	<u>(4,326,385)</u>

17. Operating lease commitments

At 31 March 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	<i>Other operating leases</i> 2014 £	2013 £
Expiry date:		
Within 1 year	75,320	-
Between 2 and 5 years	655,303	737,237
	<u>730,623</u>	<u>737,237</u>

18. Related party transactions

At 31 March 2014, the Company's ultimate parent company was Virgin Group Holdings Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Holdings Limited. The principal beneficiaries of those trusts are Sir Richard Branson and/or his immediate family. The shareholders of Virgin Group Holdings Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under Financial Reporting Standard No. 8.

	2014 £	2013 £
Debtors	<u>3,068</u>	<u>3,741</u>

The related party undertaking with whom the Company transacted during the period was Virgin Atlantic Airways Limited.

Notes to the financial statements

19. Ultimate parent undertaking and controlling party

As at 31 March 2014 the Company is a subsidiary undertaking of Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.

The largest and smallest group in which the Company and group results are consolidated are those for Virgin Wings Limited and Virgin Holdings Limited respectively, companies both registered in England and Wales. Copies of the group accounts of Virgin Holdings Limited and Virgin Wings Limited can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.